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**Before the
Subcommittee on Housing and Community Opportunity
United States House of Representatives**

May 3, 2001

Madam Chairwoman and members of the Housing and Community Opportunity Subcommittee, I want to thank you for the opportunity to appear before you today on the challenge of expanding the supply of affordable housing in this nation. As Executive Director of the National Housing Conference (NHC), I am here representing both the Conference and its research affiliate, the Center for Housing Policy. NHC, which was founded in 1931, is the nation's oldest and most broad based non-partisan advocate of affordable housing. Its member corporations and organizations represent all elements of those who produce, finance and preserve affordable housing.

Last year, NHC released a study produced by our Center for Housing Policy called *Housing America's Working Families*. That study tested a simple premise: that working families should have access to decent, affordable housing. I would like to submit a copy of this report for the record.

Today, I would like to discuss some of the findings and policy implications contained in last year's report and propose some recommendations for expanding the affordable housing supply.

HOUSING AMERICA'S WORKING FAMILIES

For most of the last 20 years, federal housing policy has implicitly or explicitly linked the housing problems of American families to issues of poverty and welfare dependency. In conducting our research to prepare *Housing America's Working Families*, we wanted to know

the extent to which moderate-income, working families were experiencing pressing housing needs.

Our research found that in 1997 almost 14 million families had a critical housing need—either they spent more than 50 percent of their incomes on housing or they lived in a seriously substandard unit. Twenty-seven percent of these families were elderly, another 30 percent were on welfare and another 21 percent had only a marginal attachment to the labor force.

The most disturbing discovery, however, was that despite unprecedented economic prosperity, the remaining 22 percent—about 3 million households—were “working families” with critical housing needs. These families earned between \$10,700 a year (the equivalent of a full time job at the minimum wage) and 120 percent of the area median income (which today is over \$87,000 in Chicago). Most of the housing needs of these working families were related to affordability and increases in the overall cost of owning or renting a home in most areas of the country. About 76 percent spent more than half of their incomes on housing, while 24 percent lived in seriously substandard housing.

Working families with critical housing needs defy the stereotypes that too often surround discussions of housing policy. Over half are homeowners. The number in the suburbs is greater than the number in the cities and the population of those with critical housing needs has grown to include teachers, police officers and firefighters, as well as service workers.

The housing needs of working families are growing rapidly as relatively modest income growth fails to keep pace with rapidly rising housing costs caused by significant shortages in modest priced housing. Between 1995 and 1997, for example, the number of working families with critical housing needs increased by 440,000—a 17 percent jump in just two years. A preliminary review of 1999 American Housing Survey data indicates an additional increase of approximately 17 percent between 1997 and 1999, or 484,000 families—so the problem continues to worsen. Nationally, about one in ten working families has a critical housing need. However, the figures are considerably higher in many parts of the country. For example, in 1998, the percentage of working families with a critical housing need was 25 percent in the San Francisco Bay Area, 20 percent in Tampa and Boston, and 16 percent in Washington, DC.

The reasons for these problems vary from place to place. However, it is clear that housing policy needs to be broadened to better address the needs of America's working families. Government, business, and the broader community all have a clear interest in improving access to housing for these vital workers. And, all have a role to play. The solutions will vary, but the challenge is the same. Healthy communities must offer their working families access to decent and affordable housing.

The lack of decent, affordable housing is increasingly seen as a significant impediment to local economic growth. Between 1994 and 1997, the California counties of Los Angeles and Orange had created more than 278,000 new jobs, but only 78,000 new homes had been built.

PRODUCING AND PRESERVING AFFORDABLE HOUSING

The National Housing Conference believes there are four basic principles that should underpin any specific policy recommendations.

The first principle is to expand public policy related to the allocation of resources for affordable housing to include the rapidly increasing number of moderate-income working families who have critical housing needs. Let me hasten to add that this is not a zero sum game. We must continue to meet the needs of lower income families who have historically had the greatest difficulty finding decent, affordable housing; however, we also must face the fact that working families of moderate means are finding it increasingly difficult to find and maintain a home or locate an affordable rental unit. In our opinion, this is not an “either or” proposition. Both needs are real and must be recognized and addressed.

The second principle is that we must strengthen and broaden the awareness and support of the broadest possible constituency for meeting this challenge. America’s government, business and community leaders and its citizens must better understand how important “decent and sanitary” housing in a suitable living environment for all Americans (as stated in the 1949 Housing Act) is to the vitality of our communities and neighborhoods, as well as our nation’s overall economy and quality of life.

The third principle is that the federal government, along with the state and local providers of affordable housing, must get their roles straight. The federal government should provide a portion of the resources and guide the performance of those providers. The federal role is not to

force or dictate solutions. The corresponding role of the state and local housing providers, along with their allies, is to devise specific solutions and to gather additional resources.

The fourth and final principle, which relates to the third, is that solutions for meeting this nation's affordable housing needs will vary from place to place. Programs designed and implemented at the federal level must provide resources and guidance that encourage and support that diversity.

With those principles in mind, let me suggest the following recommendations:

1. Programs and tools that have proven records for producing and preserving affordable housing must be strengthened and provided with significant additional resources. Tools such as Low Income Housing Tax Credits (LIHTCs), Private Activity Bonds (PABs), and programs such as HOME have demonstrated how high quality, mixed income affordable housing can be developed at the local level. Last year, long overdue increases in the tax-exempt private activity bond and Low Income Housing Tax Credit caps were included in the omnibus spending bill. This important legislation will now enable hundreds of thousands of lower income American families access to housing. We congratulate you and your colleagues on this action, but much more still needs to be done.
2. Additional proven tools, which often work in conjunction with LIHTCs, PABs, and HOME, must also be strengthened. For example, a "split-subsidy" approach using

project-based Section 8 vouchers and tax credits would facilitate the expansion of mixed income projects by subsidizing the rents of the below 40% AMI apartments. New Section 8 units, therefore, are badly needed including those that are project-based.

3. FHA must immediately improve its multifamily programs. FHA should be encouraged to reengineer its business plan so it becomes more of a partner and enabler of others delivering financing through such initiatives as risk sharing, reinsurance, and top loss protection in both the single and multifamily areas. We are encouraged to note that the Administration has recommended raising the FHA multifamily loan limits—but 25 percent is not nearly enough to get the job done. Also, any excess proceeds generated by the FHA should be made available for supporting more affordable housing. We strongly support H.R. 1481, introduced by Congressman LaFalce, which would allow the use of excess proceeds from the FHA single family insurance fund to cover credit subsidy shortages in the multifamily fund.
4. The power of this nation's financial institutions must be more strongly pointed towards supporting affordable housing. The Community Reinvestment Act must be preserved and appropriately strengthened. NHC supports stronger roles for the Government Sponsored Enterprises. Effective January 1, 2001, new affordable housing goals direct Fannie Mae and Freddie Mac to increase their lending efforts in support of low- and moderate-income Americans, underserved areas, and very low-

income households. These new goals hold a great deal of promise for families in need of affordable housing. The Federal Home Loan Bank system has established grant, debt and secondary market mechanisms that support affordable housing. More activities such as these should be encouraged while preserving the creativity of the regional banks.

5. Many states and local jurisdictions have established Housing Trust Funds to capture revenue from multiple sources for affordable housing. An analogous trust fund could be established at the federal level, as was proposed last year by Senator Kerry's "National Affordable Housing Trust Fund Act" (S. 2997). Trust funds could encourage and strengthen affordable housing efforts at the state and local levels by providing incentives and developing partnerships with various entities, both for-profit and nonprofit.
6. Oftimes a little additional funding goes a long way, especially when preserving affordable housing that already exists. Thus, support for the matching and nonprofit preservation grant legislation, originally introduced by the late Congressman Bruce Vento and recently reintroduced during this session of Congress by Congressman Nadler as H.R. 425, is important. This program, while modest in size, could generate significant additional funding at the state and local levels. An even greater impact on the preservation of affordable housing could be accomplished through the use of exit tax relief for owners of assisted properties. We welcome the opportunity to discuss this further with you and your staff.

7. Many low- and moderate-income families facing critical housing situations are homeowners. Therefore, additional policy emphasis should be placed in this area. We recommend better use of the tax code for lower income homeowners through such devices as a direct tax credit for borrowers who don't get the benefit of the mortgage interest deduction because they don't itemize their tax returns. Such a credit would provide the badly needed cash for home repairs and improvements by those cash-strapped borrowers. An additional innovation would encourage lower cost homeownership by enabling investors to receive tax credits in return for purchasing soft down payment loans or providing lower cost home construction. Some of our members have developed a proposal to create a tax credit program modeled on the Low Income Housing Tax Credit. This program is designed to encourage the new construction and substantial rehabilitation of homes for sale to low- and moderate-income families. NHC's latest publication, *Expanding the Dream of Homeownership*, looks at these and other proposals for expanding access to homeownership opportunities. I would like to submit this report for the record.
8. We must encourage and reward local and state efforts to produce and preserve affordable housing. We can't forget that it is local taxing, planning, and zoning decisions that really determine what is done or not done about affordable housing. And, it is precisely in those communities where affordable housing for working families is most needed that the most opposition to such housing exists. The challenge is, therefore, to fashion the right kind of incentives that will encourage

those communities to recognize and support the production and preservation of affordable housing. Proven tools exist—inclusionary zoning, tax sharing plans, local trust funds, regional strategies, employer support, and others that I’m sure will be created. The challenge facing this Committee is how to reward and support those necessary activities while recognizing the importance of local diversity and creativity. Such tools as challenge grants, incentive funding formulas, Consolidated Plan improvements, and tax benefits are among the tools we would suggest you consider.

CONCLUSION

This nation faces unprecedented affordable housing challenges. Some would contend that current conditions rival those faced by this nation’s leaders over 50 years ago when the landmark 1949 Housing Act was enacted. We have learned much about what works to produce lasting, high quality affordable housing that serves the needs and aspirations of this nation’s housing-needy citizens. We have developed many proven tools at the federal, state and local levels. We know how to solve this problem. We are not lacking in programs or expertise. What we need are more resources. The few additional refinements on the existing systems as proposed above will sharpen and enhance those tools, but what we currently lack is the will to meet this challenge head on. This lack of will is based on a lack of understanding among our leaders, at all levels, and average citizens alike. Our collective failure to recognize how important good, affordable housing is to all those things we cherish—strong families, safe neighborhoods, good education, and vital economies—has and will continue to undermine the growth and stability of our communities and the nation as a whole. The National Housing Conference pledges to work

to change that current lack of understanding into strong support for the effort shown by this Subcommittee to renew the pledge of “decent and sanitary housing in a suitable living environment for all Americans.” Recently, a group of NHC members came together in support of language that calls upon Congress and the Administration to provide the necessary resources and incentives to encourage production and preservation of affordable housing. That letter states that there is a shortage of affordable housing, that we must expand the current supply of affordable housing, and that we must address this situation now. The letter goes on to state that a significant increase in resources is needed and that multi-year commitment will be required. Most importantly, our letter points out that this problem is solvable. I would like a copy of that letter to be entered into the record. We thank you and the members of the Subcommittee for the opportunity to reaffirm that pledge and to emphasize the importance of these issues.